

**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Receive Report Regarding League of California Cities Communications Pertaining to Assembly Bill 506 and Senate Bill 286

MEETING DATE: May 18, 2011

PREPARED BY: City Clerk

RECOMMENDED ACTION: Receive report regarding League of California Cities (League) communications pertaining to Assembly Bill 506 and Senate Bill 286.

BACKGROUND INFORMATION: The City received a request for communications from the League on May 2, 2011 pertaining to AB 506 and **SB** 286. Letters of opposition on AB 506 and support on **SB** 286, signed by the Mayor, were needed by May 4, 2011, the date of the hearings on both bills in the State Legislature.

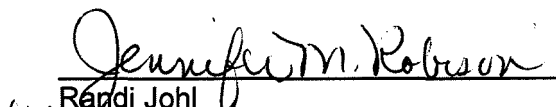
As you may be aware, AB 506 (Wieckowski) would provide that a local public entity shall not file under federal bankruptcy law unless the local public entity has participated in mediation with certain interested parties has received a certificate of good faith participation, and if the mediation results in either an agreement for debt readjustment, or if the mediator certifies in writing that continued mediation will not contribute to a resolution of the parties' dispute, under certain circumstances. The bill would also require the California Debt and Investment Advisory Commission to adopt specific mediation guidelines.

SB 286 (Wright) would, until January 1, 2013, prohibit the legislative body of a city, county, or city and county from adopting an ordinance to adopt or amend a redevelopment plan. The bill would also impose new requirements on the agency with respect to implementation plans and evidentiary standards and expand existing prohibitions on agency direct assistance to certain projects. This bill is the alternative proposal to the Governor's proposal to eliminate redevelopment agencies.

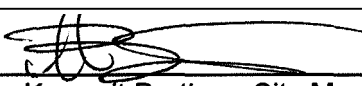
Both letters were sent as requested on May 3, 2011 and this report is provided for informational purposes only.

FISCAL IMPACT: None.

FUNDING AVAILABLE: Not applicable.


Randi Johl
City Clerk

APPROVED:


Konradt Bartlam, City Manager

CITY COUNCIL

BOB JOHNSON, Mayor
JOANNE MOUNCE,
Mayor Pro Tempore
LARRY D. HANSEN
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ALAN NAKANISHI

CITY OF LODI

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KONRADT BARTLAM,
City Manager
RANDI JOHL, City Clerk
D. STEPHEN SCHWABAUER
City Attorney

May 3, 2011

Honorable Bob Wieckowski:
State Capitol Building, Room 4162
Sacramento, California 95814

Dear Assembly Member Wieckowski:

The City of Lodi regrets to inform you that the City strongly oppose this latest attempt to remove our ability to make our own financial decisions. **AB 506** attempts to prevent any local government from filing for bankruptcy under Chapter 9 of the federal bankruptcy code without first receiving the permission from what can only be called a State-controlled non-governmental arbitrator.

Puts Local Services at Risk. The purpose of filing for Chapter 9 bankruptcy protection is to effectively suspend payments by granting an automatic stay of financial obligations in order to formulate a debt readjustment plan. Without this protection, fiscally vulnerable cities with the inability to continue payments may face interruptions to vital services and residents will suffer.

Subverts Effective and Neutral Process for State-Controller Arbitrator. Current bankruptcy proceedings are managed by expert bankruptcy judges who have no stake in the outcome. The proposed State Commission which would manage the new process is comprised of elected officials who will face special interest and politic pressures. Furthermore the use of an outside "mediator" with all the powers of an arbitrator has far larger implications that will threaten local control. This process is clearly being stacked against municipalities.

Limits Negotiations. Excluding collective bargaining agreements, and their high price tags, severely limits the options available to cities. Essentially the only thing left on the table is to reduce payments to bondholders and other debtors. It's no surprise that this bill is being co-sponsored by the California Professional Firefighters Association.

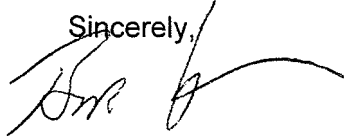
"Good Faith" Gone. As defined in your bill, "good faith" no longer represents a city's sincere efforts to find a solution to disputes unless it is also acting to adjust payments as the "mediator" defines. If the "mediator" decides that a city has not acting in "good faith" they will lose their ability to file for bankruptcy.

Municipal Bankruptcy is a Last Resort. Since the adoption of Chapter 9 of the State Bankruptcy Code in 1949—60 years ago—only two cities (and one county) have petitioned for its use: the City of Desert Hot Springs in 1994, Orange County in 1994, and in 2008 the City of Vallejo. Bankruptcy is not an attractive alternative for local

communities, nor ~~is~~ it an easy process, and ~~is~~ a last desperate resort. Furthermore, it is the chronic mismanagement of the state's budget and raids on local governments that has left cities in fiscal distress. The State should get its own fiscal house in order before interjecting itself in city affairs.

For these reasons the City of Lodi is opposed to your **AB 506**.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Johnson', with a long horizontal flourish extending to the right.

Bob Johnson
Mayor

C: Natasha Karl, League of California Cities (~~Fax~~: 916-658-8240)

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May 3, 2011

Senator Rod Wright
State Capitol Building, Room 5064
Sacramento, California 95814

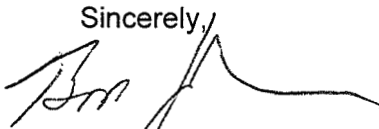
Dear Senator Wright:

On behalf of the City of Lodi, I am writing to express our support for Senate Bill 286. This bill would impose tough new reforms to increase accountability and limit the size and scope of redevelopment in California. It will also ensure redevelopment is being used responsibly to maximize job-creation, revitalize rundown communities, clean-up contaminated properties, finance infrastructure improvements, and build affordable housing.

We are opposed to the Governor's proposal to eliminate redevelopment, a move that would have disastrous consequences on local communities throughout the State, harm local economies and kill tens of thousands of jobs.

Instead, we support your SB 286 to reform redevelopment to maximize its effectiveness and accountability, while preserving redevelopment as a powerful tool for local economic growth and job creation.

Sincerely,



Bob Johnson
Mayor

C: Dan Carrigg, League of California Cities (Fax: 916-658-8240)
Senate Governance and Finance Committee Members (Fax: 916-322-0298)